GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3985
ANSWERED ON:22.08.2003
LOAN DISBURSEMENT BY FINANCIAL INSTITUTIONS
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Will the Minister of FINANCE be pleased to state:

(a) whether economic slowdown took a heavy toll on some of the financial institutions like IDBI, ICICI, IFCI and IIBI with cumulative loa disbursement falling by 22.4 per cent at Rs.17,878 crore in the last fiscal;

(b) if so, whether these financial institutions have seen drastic fall in loan disbursement since 2000-2001;

(c) if so, the reasons therefor; and

(d) the steps being taken by the Government to improve the position of these financial institutions?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a): Yes, Sir. There has been a decline in the quantum of loans disbursed by Industrial Development Bank of India(IDBI), IFCI Ltd. and Industrial Investment Bank of India (IIBI)In the case of Small Industries Development Bank of India (SIDBI) and Export Import Bank o India (EXIM Bank), disbursements have recorded growth during the last three years.As reported by Reserve Bank of India, the advances of ICICI Bank as on 31-3-2003 registered an increase of 11.72 % over the previous year(2001-2002).

(b): Details of disbursements of FIs (IDBI, IFCI Ltd., SIDBI, EXIM Bank, IIBI and ICICI Bank) during the last three years are as follows :

(Rs. in Crores)

Name of the Institution	2000-01	2001-02	2002-03
IDBI	17474	11151	3924
IFCI Ltd.	2144.65	1078.75	1792.81
EXIM Bank	1896.4	3452.9	5320.3
SIDBI	6441	5919	6789
ICICI Bank#	31665	20555	-
IIBI	644.20	83	51.52

ICICI Bank is a Banking Company incorporated under the Banking Regulation Act, 1949 and erstwhile ICICI Ltd., a financial institution, has merged with ICICI Bank with effect from 3.5.2002, the appointed date of the merger being March 30, 2002. Hence, the figures pertaining to erstwhile ICICI are provided only upto 31.12.2001.

(c): Operational Performance of Development Financial Institutions (DFIs) in general has come under strain in recent years due to a combination of factors. The slackening of the pace of investment compounded by depressed business sentiments and sluggish capital market condition led to decline in demand for assistance from traditional industries and a smaller flow of application for fresh assistance, while paucity of equity capital led to delays in completion of several projects. These factors also led to a decline in the level of annual sanctions and disbursements of DFIs.

(d) Government had introduced several enabling measures for improving the situation arising out of growing incidence of Non-Performing Assets (NPAs) through strengthening of Debt Recovery Tribunals (DRTs), introduction of Corporate Debt Restructuring (CDR) mechanism, enactment of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SRES) and the setting up of Asset Reconstruction Companies (ARCs)ICICI has merged with ICICI Bank andwould get advantage of lower cost borrowing in the form of savings and current deposits. As regards IDBI, a Bill has been introduced to corporatize it and vest it with a banking license. RBI has also issued circulars to FIs and banks to enter into non-discretionary and non-discriminatory mechanism for recovery of NPAs in all sectors through compromise settlements under One Time Settlement Scheme

(OTS), which is expected to clean up bad debts.Macro-economic initiatives in general and the thrust on infrastructure are expected to improve the investment climate.